

# DOCKET SECTION

BEFORE THE  
POSTAL RATE COMMISSION  
WASHINGTON, D.C. 20268-0001

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POSTAL RATE AND FEE CHANGES, 1997

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Docket No. R97-1

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## INITIAL BRIEF OF NATIONAL ASSOCIATION OF PRESORT MAILERS

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NATIONAL ASSOCIATION OF PRESORT MAILERS  
(April 1, 1998)**

The National Association of Presort Mailers ("NAPM") is filing on this same date a Joint Initial Brief with the American Bankers Association and Edison Electric Institute supporting substantial increases in discounts for workshare First-Class Letter Mail ("FCLM"). NAPM relies on the above-referenced Joint Initial Brief filed herein by ABA/EEI/NAPM. In addition, NAPM notes the following points in this Initial Brief of NAPM.

- I. THERE SHOULD BE AT LEAST A 1.0¢ DIFFERENCE BETWEEN THE DISCOUNTS FOR AUTOMATED BASIC FCLM AND AUTOMATED 3-DIGIT FCLM IN ORDER TO GENERATE A HIGHER VOLUME OF AUTOMATED 3-DIGIT FCLM.

As pointed out in the Joint Initial Brief filed by ABA/EEI/NAPM herein, the record in this proceeding supports substantial increases in all FCLM workshare discounts. However, the record also supports a workshare FCLM rate structure which will encourage a high volume of automated 3 and 5-digit FCLM relative to automated basic FCLM. USPS Pricing Witness Fronk

correctly treated the automated 3-digit rate category as the "key" from which other automation rates are determined because this rate applies to the largest volume of barcoded letters.<sup>1</sup>

By contrast, automated basic FCLM is still a relatively immature and unproven rate category. Furthermore, the fact that automated basic FCLM may be sorted to only a mixed AADC means that the USPS does not bypass processing operations at the origin USPS site for such mail.<sup>2</sup>

Consistent with this need to encourage a higher volume of automated 3-digit FCLM which is of most value to the USPS, both Mr. MacHarg and Dr. Clifton testified that any automated FCLM rate category structure should have at least a 1.0¢ increment between automated basic FCLM and automated 3-digit FCLM.<sup>3</sup> This is essential to the success of the USPS FCLM workshare program.

## II. THE VALUE TO THE USPS OF THE WORKSHARING PROGRAM SHOULD BE CONSIDERED BY THE COMMISSION AS A FACTOR WHICH FAVORS HIGHER WORKSHARE FCLM DISCOUNTS.

The Commission should consider the value of the worksharing program to the USPS when establishing worksharing FCLM discounts. The investment of the private sector in the USPS worksharing private/public partnership is an extremely large one. NAPM Witness

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<sup>1</sup> Fronk Direct Testimony (USPS/T-32) at page 27. Fronk noted that in the test year, 60% of automation letters will be in this automated 3-digit rate category. Id. at 27.

<sup>2</sup> MacHarg Direct Testimony (NAPM-T1) at Tr. 27/14961, lines 17-19. See also MacHarg Cross-Examination at Tr. 27/14987, lines 9-14.

<sup>3</sup> MacHarg Direct Testimony at Tr. 27/14961, line 21 - 14962, line 2; Clifton Direct Testimony (ABA/EEI/NAPM-T1) at Tr. 24/12506, n 14.

MacHarg testified that NAPM members alone utilize floor space in excess of 2.5 million square feet in their workshare operations and have invested in approximately 300 MLOCs, in addition to other costly equipment such as BCRs and RVEs in order to participate in the USPS worksharing FCLM program.<sup>4</sup> The Commission has in the past considered the fact that if substantial portions of the Postal Service's test year projection of workshare mail were to revert to the USPS, the USPS's costs would escalate considerably.<sup>5</sup> It would be appropriate for the Commission again to consider the great value of the worksharing program to the USPS, and the inability of the USPS to handle workshare FCLM if it were to revert from the private sector to the USPS, as a factor which favors an increase in workshare FCLM rates.

III. IN ORDER TO ATTRACT ANY APPRECIABLE VOLUME OF AUTOMATED FIRST-CLASS FLATS, THE DISCOUNTS THEREFOR MUST BE INCREASED, THE 4.6¢ HEAVY WEIGHT INCENTIVE MUST BE RETAINED, AND THE FIVE-DIGIT REQUIREMENT FOR THE SECOND TIER OF THE FIRST-CLASS AUTOMATED FLATS RATE CATEGORY MUST BE DROPPED.

The USPS recognizes tremendous cost savings from automated First-Class flats.<sup>6</sup>

Clearly, automating flats is an expensive task, regardless of whether done by mailers or by the USPS. If the USPS wants to attract any significant volume of automated First-Class flats over

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<sup>4</sup> MacHarg Direct Testimony (NAPM-T1) at Tr. 27/14957, line 22 - 14958, line 2.

<sup>5</sup> PRC Op. R84-1, Para 5142.

<sup>6</sup> See Daniel Direct Testimony (USPS-T-29) at Exhibit USPS-29C indicating that there is more than a 9.0¢ difference between the cost of First-Class single piece flats and First-Class basic flats, and more than a 23¢ difference between the cost of First-Class single piece flats and First-Class automated 3/5-digit flats.

and above the negligible volume which it currently projects for test year 1998,<sup>7</sup> it must change the status quo by significantly increasing discounts for such flats. Yet in justifying the proposed discounts for automated First-Class flats, USPS Witness Fronk states simply that the rates were selected "primarily to preserve the appropriate rate relationships between letters and flats in the automated arena, and between automation flats and the non-automated presort rate that applies to both letters and flats."<sup>8</sup>

NAPM Witness MacHarg suggested that an incentive somewhere in the middle between the cost difference of the 17.8¢ per piece cost to the USPS for the 3/5-digit First-Class flat and the 40.956¢ cost to the USPS for single piece First-Class flats, would be an appropriate incentive level to cause presort mailers to deliver automated First-Class flats to the USPS.<sup>9</sup>

Mr. MacHarg also pointed out that in order to attract a significant volume of First-Class automated flats, the USPS would have to retain the current 4.6¢ heavy weight incentive which it has proposed to eliminate, and the USPS would have to drop the 5-digit requirement for the second tier of the First-Class automated flats rate category, so that such category would require

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<sup>7</sup> See Seckar Direct Testimony (USPS-T-26) at Exhibit USPS-T-26A (page 6 of 6), indicating that the projected automated First-Class flats volume for the 1998 test year is less than 285 million pieces. Indeed, USPS Witness Moden was forced to admit that "participation in flats barcoding has been below expectations . . . ." (Moden Direct Testimony (USPS-T-4) at page 11, line 13).

<sup>8</sup> Fronk Direct Testimony (USPS-T-32) at page 29, lines 16-19.

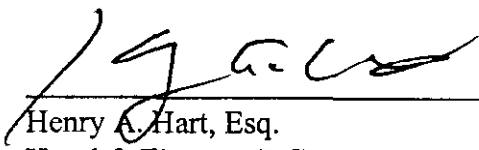
<sup>9</sup> MacHarg Cross-Examination at Tr. 27/14989, lines 2-5.

only a 3-digit sort.<sup>10</sup> The USPS has provided absolutely no study or other substantive justification for the elimination of the 4.6¢ heavy weight incentive.

Respectfully submitted,

NATIONAL ASSOCIATION OF PRESORT MAILERS

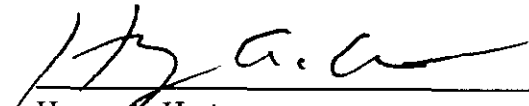
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Date: April 1, 1998  
Alexandria, Virginia

**CERTIFICATE OF SERVICE**

I hereby certify that I have this day served the foregoing document upon all participants of record in this proceeding in accordance with Section 12 of the Rules of Practice.

  
Henry A. Hart

April 1, 1998  
Alexandria, Virginia

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<sup>10</sup> MacHarg Direct Testimony (NAPM-T1) at Tr. 27/14960, line 19.